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Message Text

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PAGE 01 SAN JO 05809 101723Z
14
ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 AGRE-00 /074 W
---------- 080351
R 101456Z DEC 76
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC 5875
INFO AMEMBASSY GUATEMALA
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA
AMEMBASSY MANAGUA
AMEMBASSY PANAMA

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GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A
TAGS: ECON, CS
SUBJECT: COSTA RICA'S IMPROVED ECONOMIC SITUATION

BEGIN UNCLASSIFIED

1. DATA INDICATING A SUBSTANTIAL IMPROVEMENT IN COSTA RICA'S ECONOMIC SITUATION AND A FAVORABLE OUTLOOK FOR THE COMING YEAR WERE PRESENTED BY CENTRAL BANK PRESIDENT BERNAL JIMENEZ IN A SPEECH TO THE AMERICAN CHAMBER OF COMMERCE OF COSTA RICA DECEMBER 7. REAL GROWTH IN GNP HAS ACCELERATED FROM 3.4 PERCENT LAST YEAR TO 5.4 PERCENT THIS YEAR AND IS EXPECTED TO REACH 6 PERCENT IN 1977. FAVORABLE TRENDS ARE ALSO EVIDENT IN PRICES, CREDIT, AND THE BALANCE OF PAYMENTS. THE WEAKEST SPOT IN THE ECONOMY, JIMENEZ SAID, IS THE BUDGETARY SITUATION WHERE THE GOVERNMENT IS ATTEMPTING TO HOLD THE LINE ON EXPENDITURES.

2. ANOTHER PROBLEM DISCUSSED BY JIMENEZ IS THE EXCESS LIQUIDITY RESULTING FROM EXCEPTIONALLY HIGH COFFEE
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PAGE 02 SAN JO 05809 101723Z

PRICES. HE SAID THAT THE CENTRAL BANK WILL SOON EMIT

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COFFEE SAVINGS BONDS TO SOAK UP A PORTION OF THE EXCESS THAT WOULD OTHERWISE BE SPENT BY COFFEE PRODUCERS AND PROCESSORS. HE SAID THAT THE GOVERNMENT IS ALSO SHARPLY REDUCING CREDIT TO COFFEE GROWERS TO FORCE THEM TO FINANCE THEMSELVES FROM THEIR HIGH EARNINGS. BEGIN LIMITED OFFICIAL USE: A VISITING IMF REPRESENTATIVE, IN CONVERSATION WITH EMBOFF, STRONGLY CRITICIZED COSTA RICA FOR BACKING DOWN ON ITS EARLIER EFFORTS TO IMPOSE A TAX SURCHARGE ON COFFEE BUT HE THOUGHT THAT THE PROPOSED BONDS, PURCHASE OF WHICH WILL PROBABLY BE MANDATORY, WOULD HELP WITH THE EXCESS LIQUIDITY PROBLEM. END LIMITED OFFICIAL USE.

3. THE FOLLOWING ARE THE DATA PROVIDED BY BERNAL JIMENEZ IN HIS DISCOURSE:

ECONOMIC INDICATOR 1974 1975 1976 1977

REAL GNP INCREASE 5.4 PC 3.4 PC 5.4 PC 6.0 PC
PRICES (PC INCREASE) 40 20 9 8
CREDIT (PC INCREASE) 43.4 38 20 14-16
TRADE DEFICIT
($MILLIONS) 284 201 179 165
RESERVES, NET
($MILLIONS) 39 58 115 170. TODMAN

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Copy: SINGLE
Draft Date: 10 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: powellba
Disposition Case Number: n/a
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Disposition Remarks:
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TAGS: ECON, CS
To: STATE
Type: TE
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